

FILED

AUG 26 2016

Edwards,Michelle

---

**From:** Elliott,Earl  
**Sent:** Thursday, August 25, 2016 4:54 PM  
**To:** Ellis,Leslie; Bennett,Duke A; Felling,Darrell  
**Cc:** Auler,Amy; Azar, George; Neil Garrison; Nasser,Karrum; Nation,Todd; Crossen,Martha; DeBaun,Curtis; Don Morris; Edwards,Michelle  
**Subject:** Fw: WWU NEW REVENUE  
**Attachments:** 0663\_001.pdf

CITY CLERK

Leslie, Here is my letter concerning new revenue for the WWU. Thanks, Earl

Michelle, Please post if this is a public document. Thanks, Earl

Thanks, Earl

---

**From:** [contact@sackrider.com](mailto:contact@sackrider.com) <[contact@sackrider.com](mailto:contact@sackrider.com)>

**Sent:** Thursday, August 25, 2016 5:04 PM

**To:** Elliott,Earl

**Subject:** WWU NEW REVENUE

August 25, 2016

Mrs. Leslie Ellis, City Controller  
City of Terre Haute  
17 Harding Avenue  
Terre Haute, IN 47807

Re: New Revenue for the Waste Water Utility

Dear Leslie:

I have written this letter to share my open items, issues, concerns, etc. concerning new revenue for the Waste Water Utility (WWU) whether it be a storm water fee or a sewer rate increase.

In summary, I continue to struggle to determine the minimum amount of new revenue that I believe should satisfy the Indiana Finance Authority State Revolving Loan Fund. Most of my struggles relate to amounts used in the calculation of the 125% debt service requirement and the need to protect the new revenue caused by funding the debt service on the expected \$43,000,000 of loans that will pay off the \$37,000,000 in future bonds proceeds that will pay for the Long Term Control Plan Phase 2 and the \$6,000,000 bond anticipation loan owed to Vigo County.

Since a significant portion of the new revenue is to be used for the debt service and debt service reserve payments on the new \$43,000,000 bond issue, it is imperative to me that this portion of the new revenue be parked in a separate bank account so that it is there to be used for that purpose when the payments commence. According to the report provided by Umbaugh this is expected to be about \$237,000 per month. I don't know what sort of document, provision, resolution, etc. is necessary to provide for this but I am confident City Legal does. A copy of the monthly bank statements for this new account must be provided to City Council.

My reasoning for limiting the new revenue to the minimum amount necessary and not a dime more centers around the fact that the excess 25% above debt service coverage should be \$3,100,000 or more come January, 2018. This is after satisfying the new debt service reserve funding of the 2012 bond issue in December, 2017. I believe the \$3,100,000 is more than sufficient to satisfy the annual \$410,800 annual debt service reserve funding requirement for the new \$43,000,000 bond issue and any capital expenditures for replacements and improvements.

Several amounts used in the 125% debt service coverage calculation are still moving targets. I believe additional discussion between the Sanitary Board, City Administration and City Council should occur to stabilize some of these targets. These elements (targets) are:

1. What should the WWU pay to the City General Fund for administrative services for 2017, 2018, 2019 and 2020?

Mrs. Leslie Ellis, City Controller  
City of Terre Haute  
August 25, 2016  
Page Two

2. What should the WWU pay to the City General Fund in the way of a PILOT fee for 2017, 2018, 2019 and 2020?

I do not ask about 2016 because those amounts are already in approved budgets, however, the WWU 2016 financials and required SRF approval will come into play.

Other amounts used in the 125% debt service coverage calculations provided by Umbaugh that may not be accurate based on information that has become available since their report was issued include the following:

- A. The \$1,000,000 annual transfers to Sanitary District – General will not be needed if the Sanitary District General Fund is merged into the Waste Water Utility Fund beginning in 2017. The effect of this change is a \$400,000 increase in the numerator of the debt service coverage calculation due to the removal of this \$1,000,000 transfer partially offset by the \$600,000 of Sanitary General Fund expenses moving into the Waste Water Utility Fund. The \$400,000 represents the capital improvements portion of the Sanitary General Fund budget.
- B. The Umbaugh calculations include a line titled “Revenues required to offset estimated circuit breaker losses” that reduce the numerator in the 125% debt service coverage calculations. The amounts are as follows:

2015	\$ 148,500
2016	110,000
2017	-
2018	929,700
2019	755,000
2020	-

These amounts are reportedly necessary to provide the Sanitary District Bond Fund with the money needed to make the bond payments. The annual bond payments total \$7,630,000. The bond issue pays off in 2019.

The Sanitary District Bond Fund received some \$3,400,000 of property tax revenue in the first half of 2015 and some \$4,600,000 of property tax revenue in the first half of 2016. I have asked you several times about this increase and you (after asking Umbaugh) could not explain it. The County Auditor’s office could not explain it either. I will work with DLGF on this because this increase may negate the need for the WWU to make these transfers thereby reducing the amount of new revenue that is needed.

I again suggest a portion of the \$3,000,000 of BAN proceeds being held in escrow by the Indiana Finance Authority’s State Revolving Loan Fund be used to fully fund the debt service reserve account of the 2012 bond issue ahead of time. I estimate the amount required to do this to be \$139,000 per month times 16 months or \$2,224,000. We will no longer have the \$139,000 monthly payments. I believe Indiana Finance Authority State

Mrs. Leslie Ellis, City Controller  
City of Terre Haute  
August 25, 2016  
Page Three

Revolving Loan Fund management would look favorably upon this action. If a \$2,224,000 payment would not work, how about a lesser amount?


Before voting on new WWU revenue, I would also like to see and have an opportunity to study the:

1. 2017 proposed General Fund budgeted revenue and expense (expected September 8, 2016).
2. 2017 proposed Waste Water Utility budgeted revenue and expense (expected September 8, 2016).
3. July, 2017 General Fund financials (expected ???).
4. Copies of relevant pages of the 2012 bond issue that address the 125% coverage requirement.

I look forward to your answers, questions, comments as we address the necessary level of Waste Water Utility revenue.

Very truly yours,

SACKRIDER & COMPANY, INC.

By   
O. Earl Elliott, CPA  
City Council District 2